

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02

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INFO AMEMBASSY BRUSSELS

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AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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TAGS: ENRG, EFIN, GW

SUBJECT: CONSIDERATION OF WINDFALL PROFITS TAX

FROM HYDROCARBONS PRODUCTION IN THE FRG

1. ACCORDING TO MAY 27 HANDELSBLATT, AN INDUSTRY-ORIENTED AND GENERALLY WELL-INFORMED DAILY NEWSPAPER, THE FEDERAL CABINET WILL DISCUSS ON JUNE 4 A JOINT PROPOSAL YET TO BE WORKED OUT BY THE ECONOMICS AND FINANCE MINISTRIES ON TAXATION OF WINDFALL PROFITS OF PETROLEUM COMPANIES ENGAGED IN THE
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EXTRATION OF HYDRO CARBONS IN GERMANY.

2. ACCORDING TO THE PAPER, THERE SEEMS TO EXIST UNANIMITY AMONG THE MINISTRIES THAT AN ATTEMPT MUST BE UNDERTAKEN TO REGULATE THE PROBLEM OF PROFIT ADVANTAGES DERIVED FROM HIGHER WORLD MARKET PRICES. CHANCELLOR SCHMIDT REPORTEDLY ALSO SHARES THIS OPINION. WHILE THE ECONOMICS MINISTRY SEEMS TO FAVOR THE IDEA OF A REINVESTMENT (PLOWBACK) OBLIGATION OF SUCH PROFITS, THE FINANCE MINISTRY REPORTEDLY LEANS TOWARD A DIRECT TAX APPROACH. IT IS REALIZED THAT BOTH APPROACHES POSE DIFFICULTIES OF IMPLEMENTATION.

3. THE CONTEMPLATED TAX ON WINDFALL PROFITS WOULD ASSERTEDLY AFFECT NOT ONLY THE SUBSIDIARIES OF MULTINATIONAL COMPANIES, BUT ALSO SUCH PRODUCING GERMAN FIRMS AS WINTERSHALL, PREUSSAG, SCHACHTBAU AND DEILMANN, WHICH ACCOUNT FOR 40 PERCENT OF DOMESTIC GERMAN PETROLEUM AND 20 PERCENT NATURAL GAS PRODUCTION. VEBA, THE NEWLY-FORMED OIL MARKETING COMPANY, OWNS NO CONCESSIONS AND IT WOULD THUS APPEAR THAT THE BURDEN OF THE PROPOSED TAX WOULD FALL ONLY ON VEBA'S COMPETITORS. NEVERTHELESS, A "LEX VEBA" IS SAID NOT TO BE INTENDED, ALTHOUGH THE WEAK MARKET POSITION OF VEBA VIS-A-VIS THE MULTINATIONALS WILL OBVIOUSLY BE IN THE FOCUS OF CONSIDERATIONS. A TAX ON WINDFALL PROFITS DERIVED FROM EXTRACTION, IT IS ARGUED, WOULD SIMPLY CATCH UP WITH THE PRACTICE IN MOST OTHER WESTERN INDUSTRIAL COUNTRIES WHERE A LEVY ON EXTRACTION OF HYDRO CARBONS IS IMPOSED APART FROM NORMAL TAXATION.
HILLENBRAND

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